

Message Text

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SUBJECT: ROKG VIEWS ON PENDING REQUESTS FOR JAPANESE ECONOMIC AID

REF: A. TOKYO 18240, B. SEOUL 8275, C. TOKYO 15746, D. SEOUL 7228

SUMMARY: CONCERNING PENDING GOJ DECISION ON LEVEL OF JFY 1975 ECONOMIC AID TO ROKG, ROKG POSITION IS THAT IT IS IMPORTANT FOR POLITICAL REASONS, RATHER THAN ECONOMIC REASONS, THAT THIS YEAR'S AID LEVEL EXCEED LAST YEAR'S. ROKG EXPECTS TO RECEIVE FINAL DECISION FROM GOJ IN JANUARY WORKING LEVEL SESSION. APPROVAL OF JAPANESE COMMERCIAL FINANCING FOR BOTH POHANG AND YOSU PROJECTS IS EXPECTED SHORTLY. END SUMMARY.

1. EMBOFF DISCUSSED ROKG REACTION TO LATEST GOJ/ROKG DISCUSSIONS ON JAPANESE AID PACKAGE (SEE REF A) WITH YI, SON-KI (LEE, SUN-KI) ASSISTANT MINISTER FOR ECONOMIC COOPERATION, ECONOMIC PLANNING BOARD. YI CHARACTERIZED LATEST EXCHANGE AS INFORMAL DISCUSSIONS ON OCCASION OF RECEPTION AT FORMAL CLOSING OF PROPERTY AND CLAIMS MISSION, RATHER THAN REGULAR WORKING-LEVEL SESSION. HE DID NOT SEEM AT ALL SURPRISED THAT GOJ WAS NOT PREPARED TO MAKE FINAL REPLIES TO EARLIER ROKG REQUESTS (REFS B AND C), HAVING UNDERSTOOD THESE WOULD BE READY FOR WORKING LEVEL SESSION PLANNED FOR JANUARY 19-21 IN TOKYO.

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JANUARY SESSION IS A RESCHEDULING OF SESSION ORIGINALLY PLANNED

FOR DECEMBER.

2. ACCORDING YI, PENDING ROKG REQUESTS TOTAL DOLS. 118 MILLION, INCLUDING IRRIGATION, TELECOMMUNICATIONS AND SHINPOK RAILROAD DOUBLE TRACKING PROJECTS. AS PORTRAYED BY YI, THRUST OF ROKG ARGUMENT IS THAT SIGNIFICANCE OF THIS YEAR'S AID LEVEL RELATES TO ITS POLITICAL IMPACT RATHER THAN ITS ECONOMIC IMPACT. IN ROKG'S VIEW, HE CONTENDED, DIFFERENCE BETWEEN GOJ AID LEVEL OF EVEN DOLS. 50 OR DOLS. 60 MILLION AS CONTRASTED WITH DOLS. 100 MILLION OR SO IS REALLY INSIGNIFICANT IN TERMS OF ITS ECONOMIC CONSEQUENCES. HOWEVER, ROKG CONSIDERS IT TO BE VERY IMPORTANT POLITICALLY THAT THIS YEAR'S AID LEVEL EXCEED LAST YEAR'S (WHICH HE PLACED AT DOLS. 85 MILLION) TO SERVE AS CONCRETE EVIDENCE THAT SPIRIT OF RENEWED FRIENDSHIP BETWEEN TWO NATIONS, PUBLICLY ACCLAIMED IN COMMUNIQUE FOLLOWING SEPTEMBER MINISTERIAL TALKS (SEE REF D), IS A REALITY.

3. YI MAINTAINED THAT GOJ FOREIGN OFFICE IS SYMPATHETIC TO ROKG POSITION ON POLITICAL SIGNIFICANCE OF THIS YEAR'S AID LEVEL, BUT THAT MINISTRY OF FINANCE IS A STUMBLING BLOCK (THIS WOULD BE CONSISTENT WITH DIVISIONS OF OPINION AMONG GOJ GOVERNMENT MINISTRIES REPORTED REF A). YI WAS UNWILLING TO SPECULATE AS TO FINAL OUTCOME.

4. WITH REGARD GOJ EXIM/COMMERCIAL BANK FINANCING, YI UNDERSTOOD THAT BOTH POHANG STEEL MILL EXPANSION AND YOSU PETROCHEMICAL FINANCING PACKAGES WERE LIKELY TO RECEIVE FINAL APPROVAL SHORTLY. IN RESPONSE TO QUERY ON POSSIBLE TIMING OF ACTUAL LOAN ARRIVALS, YI SUGGESTED THAT POHANG PROJECT COULD RESULT IN ARRIVALS ON ORDER OF DOLS. 150 MILLION IN 1976 AND DOLS. 200 MILLION PLUS IN 1977, WHILE YOSU PROJECT WOULD INVOLVE ARRIVALS OF ROUGHLY DOLS. TWENTY TO THIRTY MILLION IN 1976, DOLS. 220 MILLION IN 1977, AND DOLS. 70 MILLION IN 1978.

COMMENT: ROKG POSITION, AS STATED BY YI, PERHAPS DELIBERATELY OVERDRAMATIZES POLITICAL SIGNIFICANCE OF GOJ AID LEVEL IN ORDER TO STRENGTHEN ITS REQUEST. FACT CURRENT ARGUMENTS WITHIN GOJ, AS REPORTED REF A, ARE COUCHED AT LEAST PARTIALLY IN TERMS OF LEVEL OF NEW AID PACKAGE RELATIVE TO THAT OF YEAR AGO SUGGESTS THAT BOTH SIDES ARE WILLING TO TREAT SUCH COMPARISONS LIMITED OFFICIAL USE

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AS SIGNALS OF ONE SORT OR ANOTHER. ON OTHER HAND, THERE IS NO QUESTION BUT THAT FINAL APPROVALS OF POHANG AND YOSU FINANCING WILL BE OF FAR GREATER CONSEQUENCE TO KOREAN ECONOMY THAN DOLS TEN OR TWENTY MILLION EITHER WAY IN LEVEL OF PUBLIC AID. SNEIDER

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